

JERSEY GAS COMPANY LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

JERSEY GAS COMPANY LIMITED

CORPORATE INFORMATION

Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.

Directors

I J A Plenderleith

R Yuille

D Owens

H Royoux (resigned 5 March 2019)

A Hough (appointed 5 March 2019)

C Doyle

Secretary

IEG Secretaries Limited

Auditor

Grant Thornton Limited

Lefebvre House

Lefebvre Street

St Peter Port

Guernsey

GY1 3TF

Registered Office

Energy House

La Rue Phillipe Durrell

La Collette

St Helier

Jersey

JERSEY GAS COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is gas production, distribution and related activities.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements on page 9.

Results

The results of the year are shown in the Statement of Comprehensive Income on page 5.

Dividend

The Directors do not recommend a final dividend (2018: £nil). There were no interim dividends during the year (2018: £nil).

Directors

The Directors who served the Company during the year are shown on page 1.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Jersey Gas Company (Jersey) Law 1989 requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Jersey Gas (Company) (Jersey) Law 1989. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Grant Thornton Limited (appointed during the year)

By Order of the Board

Ian Plenderleith
Director

Ashley Hough
Director

Date: 23 April 2020

JERSEY GAS COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY GAS COMPANY LIMITED

Opinion

We have audited the financial statements of Jersey Gas Company Limited (the "Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- ▶ are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Jersey Gas Company (Jersey) Law 1989.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 29 April 2019.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matters – subsequent events relating to COVID-19

We draw attention to the subsequent events Note 15, which explains that while the Directors consider COVID-19 to be a non-adjusting event and that no adjustment has been made to the financial statements as at 31 December 2019, the Directors believe that the impact of the virus outbreak will have implications on the short term revenues of the Company in future periods.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report as set out on page 2, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Jersey Gas Company (Jersey) Law, 1989 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the Company; or
- ▶ the company financial statements are not in agreement with the accounting records; or
- ▶ we have not received proper returns adequate for our audit from branches not visited by us; or
- ▶ we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

JERSEY GAS COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY GAS COMPANY LIMITED (continued)

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 2, the Directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with UK GAAP, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cyril Swale
For and on behalf of
Grant Thornton Limited
Chartered Accountants
St Helier
Jersey
Channel Islands

Date: 24 April 2020

JERSEY GAS COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Note	£	£
Revenue		10,717,360	10,558,606
Cost of sales		(5,346,716)	(4,739,113)
Gross profit		5,370,644	5,819,493
Net operating expenses		(3,178,698)	(3,386,446)
Rental income		-	23,458
Operating profit		2,191,946	2,456,505
Interest payable and similar charges	3	(2,029,605)	(1,967,393)
Other finance income	11	42,000	13,000
(Loss)/gain on disposal of property, plant and equipment		(2,267)	10,025
Profit on ordinary activities before taxation		202,074	512,137
Tax charge on profit on ordinary activities	5	(489,115)	(1,173,185)
Loss for the financial year		(287,041)	(661,048)
(Losses) / gains on remeasurement of net defined benefit asset	11	(930,000)	759,000
Other comprehensive (expense) / income		(930,000)	759,000
Total comprehensive (expense) / income		(1,217,041)	97,952

The notes on pages 9 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019		2019 £	2018 £
	Note		
Non-current assets			
Property, plant and equipment	6	26,247,575	26,819,724
Current assets			
Inventories	7	709,725	675,610
Trade and other receivables	8	10,508,299	9,784,639
Cash		833,190	627,091
		12,051,214	11,087,340
Current liabilities			
Trade and other payables	9	35,402,971	34,702,335
		35,402,971	34,702,335
Net current liabilities		(23,351,757)	(23,614,995)
Total assets less current liabilities		2,895,818	3,204,729
Amounts falling due after more than one year			
Called up preference shares	10	358,904	358,904
Deferred tax	5	2,801,080	2,759,955
Unfunded pension obligation		52,482	81,477
		3,212,466	3,200,336
Pension asset	11	297,000	1,193,000
Net (liabilities) / assets		(19,648)	1,197,393
Equity			
Called up share capital	10	915,000	915,000
Share premium account		962	962
Reserves		(935,610)	281,431
Shareholder's funds		(19,648)	1,197,393

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2020.
These were signed on its behalf by:

Ian Plenderleith
Director

Ashley Hough
Director

The notes on pages 9 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Retained Earnings/(loss)	Total
	£	£	£	£
At 1 January 2018	915,000	962	183,479	1,099,441
Loss for the year	-	-	(661,048)	(661,048)
Other comprehensive income	-	-	759,000	759,000
Total comprehensive income	-	-	97,952	97,952
At 31 December 2018	915,000	962	281,431	1,197,393
Loss for the year	-	-	(287,041)	(287,041)
Other comprehensive losses	-	-	(930,000)	(930,000)
Total comprehensive losses	-	-	(1,217,041)	(1,217,041)
At 31 December 2019	915,000	962	(935,610)	(19,648)

The notes on pages 9 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

CASH FLOW STATEMENT

	2019 £	2018 £
Cash flows from operating activities		
Operating profit	2,191,946	2,456,506
Depreciation and amortisation	1,410,221	1,399,183
Profit on sale of property, plant and equipment	-	8,919
Increase in inventory	(34,115)	(44,261)
Increase in trade and other receivables	(723,661)	(297,245)
Decrease in trade and other payables	(152,567)	(67,419)
Adjustment for pension funding	-	3,000
Tax paid	(456,900)	(225,302)
	<hr/>	<hr/>
Net cash flows from operating expenses	2,234,924	3,233,381
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	1,106
Purchase of property, plant and equipment	(840,338)	(1,247,412)
	<hr/>	<hr/>
Net cash flows from investing activities	(840,338)	(1,246,306)
	<hr/>	<hr/>
Cash flow from financing activities		
Interest paid	(1,188,487)	(1,822,564)
	<hr/>	<hr/>
Net cash flows from financing activities	(1,188,487)	(1,822,564)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	206,099	164,511
Cash and cash equivalents at beginning of period	627,091	462,580
	<hr/>	<hr/>
Cash and cash equivalents at end of period	833,190	627,091
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The notes on pages 9 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General Information and Basis of Presentation

Jersey Gas Company Limited is a limited liability company incorporated in Jersey. The registered office is Energy House, La Rue Philippe Durell, La Collette, St Helier, Jersey.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements are presented in sterling which is also the functional currency of the Company.

b. Going concern

As at 31 December 2019, the Company is in a net liability position. In order for the Company to meet its obligations as they fall due, the Company has received confirmation that the loans due to fellow group entities will not be called within one year from the date of signing these financial statements. The Company has access to satisfactory financial resources. COVID-19 will have an impact on the short term revenues of the Company however the Directors believe the Company is in a position to continue in business. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual Financial Statements.

c. Property, plant and equipment

Except for freehold buildings, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold buildings are stated at revalued amounts less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

The principal rates in use are:-	%
Freehold Buildings	0.0 - 2.0
Plant & Machinery	2.5 - 20.0
Motor Vehicles	14.0 - 25.0

d. Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Work in progress has been valued at cost of direct materials and labour. Cost is calculated using the first-in first-out method. Provision is made for obsolete, slow moving or defective items where appropriate.

e. Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and taxes.

f. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full in respect of timing differences arising from the recognition of gains and losses for tax purposes in different periods from those in which they are included in the financial statements. Provisions are made at rates expected to apply when they crystallise based on laws which have been enacted or substantially enacted at the balance sheet date.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (Continued)

g. Employee benefits

The group operates two pension schemes; a defined benefit scheme and a defined contribution scheme. The defined benefit scheme is closed to new members and has ceased to accrue pensionable service.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments, which are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income if the benefits have vested. The net interest cost on the net defined benefit liability is charged to the Statement of Comprehensive Income and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other retirement benefits is the contributions payable in the year.

h. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

i. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to assets are recognised over the expected useful life of the asset.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition - unread meter income

Revenue in respect of unread meter income is accrued at the balance sheet date. Unread meter income is estimated by considering the unit outputs in the last 3 months of the year, applying a sales / output ratio and multiplying this by the average unit price. A time factor in respect of the billing cycle is then applied. This estimate is subject to uncertainty given the assumptions that are made in the calculation.

Pension

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty.

Taxation

Taxation in the financial statements is based on actual or expected tax computations submitted to local tax authorities, which includes management's interpretations of laws that have been enacted or substantively enacted by the balance sheet date. Tax authorities may subsequently challenge the assumptions made by management in the tax computation, therefore taxation is subject to potential uncertainty given the assumptions that are made in the calculations.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Interest payable and similar charges

	2019 £	2018 £
Preference share dividends	23,688	-
Interest payable on deposits	12,188	7,566
Interest payable to fellow group undertakings (see note 9)	1,969,749	1,923,857
Other finance charges	23,980	35,970
	<hr/>	<hr/>
	2,029,605	1,967,393
	<hr/>	<hr/>

4 Profit on ordinary activities before taxation

	2019 £	2018 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on property, plant and equipment	1,410,221	1,399,183
Operating lease rentals		
- Land & buildings	237,752	273,657
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	12,800	35,500
	<hr/>	<hr/>

5 Tax on profit on ordinary activities

a) Analysis of charge in the year

	2019 £	2018 £
Current tax:		
States of Jersey income tax charge on the results for the year	474,988	496,909
(Over) / under provision in previous periods	(34,998)	423,168
	<hr/>	<hr/>
Total current tax charge (note 5b)	439,990	920,077
Deferred taxation movement	41,125	255,108
Deferred taxation in respect of FRS 102 Section 28	8,000	(2,000)
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	489,115	1,173,185
	<hr/>	<hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Tax on profit on ordinary activities (continued)

b) Factors affecting tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of tax to the profit before tax is as follows.

	2019 £	2018 £
Profit on ordinary activities before tax	202,074	512,137
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2018: 20%)	40,415	102,427
Effects of:		
(Over) / under provision in previous years	(34,998)	423,168
Capital allowances in excess of depreciation	47,158	8,144
Loss / (profit) on disposal of property, plant and equipment	453	(2,005)
Non-deductible interest	393,950	391,965
Other tax adjustments	(6,988)	(3,622)
Current tax charge for the year (note 5a)	439,990	920,077
c) Provision for deferred tax	2019 £	2018 £
Deferred tax is provided as follows:		
Capital allowances in excess of depreciation	2,811,576	2,778,293
Other timing differences	(10,496)	(18,338)
Provision for deferred tax	2,801,080	2,759,955

6 Property, plant and equipment

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 1 January 2019	1,313,204	43,650,496	717,094	45,680,794
Additions	6,412	833,927	-	840,339
Disposals	-	-	(51,244)	(51,244)
At 31 December 2019	1,319,616	44,484,423	665,850	46,469,889
Depreciation				
At 1 January 2019	23,740	18,207,432	629,898	18,861,070
Charge for the year	32,958	1,327,556	49,707	1,410,221
Disposals	-	-	(48,977)	(48,977)
At 31 December 2019	56,698	19,534,988	630,628	20,222,314
Net Book Value at 31 December 2019	1,262,918	24,949,435	35,222	26,247,575
Net Book Value at 31 December 2018	1,289,464	25,443,064	87,196	26,819,724

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Inventories

	2019 £	2018 £
Raw materials, consumables and finished goods	674,946	644,097
Work in progress	34,779	31,513
	<u>709,725</u>	<u>675,610</u>

Inventory recognised as an expense in the period was £9,618 (2018: £18,678).

8 Trade and other receivables

	2019 £	2018 £
Amounts falling due within one year:		
Trade receivables	1,361,481	489,604
Amounts due from fellow group undertakings	6,322,110	6,175,779
Unread meter income	896,665	946,641
Other receivables	111,572	102,787
Prepayments and accrued income	166,190	504,427
	<u>8,858,018</u>	<u>8,219,238</u>
Amounts falling due after more than one year:		
Trade receivables	821,122	751,503
Other receivables	829,159	813,898
	<u>1,650,281</u>	<u>1,565,401</u>
	<u>10,508,299</u>	<u>9,784,639</u>

Amounts due from fellow group undertakings are interest free, unsecured and repayable on demand.

9 Trade and other payables

	2019 £	2018 £
Amounts falling due within one year:		
Trade payables	943,076	1,469,494
Amounts due to fellow group undertakings (non interest bearing)	1,230,980	266,283
Amounts due to fellow group undertakings (interest bearing)	32,000,000	32,000,000
Other payables	347,057	307,258
Accruals and deferred income	290,155	65,729
GST	116,715	101,672
States Income Tax	474,988	491,899
	<u>35,402,971</u>	<u>34,702,335</u>

The amounts due to fellow group undertakings and to the immediate parent company are unsecured and repayable on demand. Interest bearing borrowings from Manx Gas Limited and Kosangas Jersey Limited have been charged interest at weighted average interest rates between 6.02%-6.35% for the year.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Share capital

	2019 £	2018 £
Authorised:		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
Preference Shares:		
5% Cumulative Preference Shares of £1 each	3,000	3,000
3% Cumulative Preference Shares of £1 each	157,000	157,000
5% Cumulative 'A' Preference shares of £1 each	200,000	200,000
	360,000	360,000
Allotted, called up and fully paid:		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
Preference Shares:		
5% Cumulative Preference Shares of £1 each	1,904	1,904
3% Cumulative Preference Shares of £1 each	157,000	157,000
5% Cumulative 'A' Preference shares of £1 each	200,000	200,000
	358,904	358,904

The three categories of preference shares are not entitled to participate in the profits of the Company, other than to the extent of their fixed dividend.

The ordinary shares rate and abate equally in respect of any distribution, but are specifically excluded from the fixed preference dividend distributions.

Voting Rights:

5% Cumulative Preference Shares One vote for every share up to a maximum of five hundred shares, and then one vote for every five shares held thereafter.

3% Cumulative Preference Shares and
5% Cumulative 'A' Preference Shares One vote for every ten shares held.

Rights on winding up of the Company:

If the Company was to be wound up, the assets available for distribution amongst the members shall be applied in the following order:-

- (i) Repay to all members the amounts paid up on shares held;
- (ii) Any excess to be distributed amongst the holders of ordinary shares in proportion to the amount which at the time of going into liquidation, had been actually paid up on their shares respectively.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Employee benefits

The Company provides a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company.

Contributions to the scheme are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the service life of employees with the Company.

The contributions are determined by a qualified actuary on the basis of triennial valuations, using the Projected Unit Method. The most recent full actuarial valuation was at 1 July 2018. The assumptions that have the most significant effect on the results of the valuation are those relating to the yield up to retirement, the yield after retirement and the rates of increase in salaries. It was assumed that the yield up to retirement would be 4.5% (2015: 4.8%), the yield after retirement would be 2.2% (2015: 3.0%) and salary increases would average 4.0% (2015: 4.15%) per annum.

The most recent actuarial valuation at 1 July 2015 showed that the value of the scheme's assets was £6,260,000 (2015: £5,871,000) and the surplus was £386,000 (2015: £445,000). This equates to approximately 107% (2015: 108%) of the benefits that had accrued to members, after allowing for expected future increases in earnings. The Company has nil contributions (2015: nil) and employees have ceased contributions (2015: 0%).

The valuation used for FRS 102 Section 28 disclosures (Section 28) has been based on the most recent actuarial valuation of the scheme detailed above and updated by the scheme actuaries to take account of the requirements of Section 28 in order to assess the liabilities of the scheme at 31 December 2019. Scheme assets are stated at the market value at 31 December 2019 of the insurance policies in which they are invested.

The Company has closed the defined benefit scheme to new members and to future accrual of pensionable service and provides a defined contribution retirement benefit scheme for all qualifying employees. There were contributions of £76,750 (2018: £68,219) payable to the scheme by the Company in the current year and at the balance sheet date there were no outstanding or prepaid contributions.

The key assumptions used are:	2019	2018
Discount rate	1.9%	2.8%
Pensionable salary growth	2.0%	2.0%

Amounts recognised in the Statement of Comprehensive Income in respect of this defined benefit scheme are as follows:

	2019 £	2018 £
Analysis of amount charged to operating profit:		
Current service cost	-	-
Net interest	42,000	13,000
	<hr/>	<hr/>
Total operating income	42,000	13,000
	<hr/>	<hr/>
Recognised in other comprehensive income	(930,000)	759,000
	<hr/>	<hr/>
Total (expense) / income relating to defined benefit scheme	(888,000)	772,000
	<hr/>	<hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Employee benefits

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit retirement scheme is as follows:

	2019 £	2018 £
Present value of defined benefit obligations	(5,597,000)	(4,903,000)
Fair value of scheme assets	5,968,000	6,394,000
Related deferred tax	(74,000)	(298,000)
	<hr/>	<hr/>
Net asset recognised in the statement of financial position	297,000	1,193,000
	<hr/> <hr/>	<hr/>

Movements in the present value of defined benefit obligations were as follows:

	2019 £
At 1 January	4,903,000
Interest cost	126,000
Actuarial gains and losses	1,343,000
Benefits paid	(775,000)
	<hr/>
At 31 December	5,597,000
	<hr/>

Movements in the fair value of scheme assets were as follows:

	2019 £
At 1 January	6,394,000
Interest income	168,000
Return on scheme assets	181,000
Benefits paid	(775,000)
	<hr/>
At 31 December	5,968,000
	<hr/> <hr/>

The assets of the scheme are invested in insurance policies.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land & Buildings	
	2019	2018
	£	£
Operating leases which expire:		
Within one year	272,107	254,216
Within two to five years	1,224,529	1,182,996
In over five years	13,587,895	13,901,535
	<u>15,084,531</u>	<u>15,338,747</u>

13 Related party transactions

The total remuneration for key management personnel for the year is set out below.

	2019	2018
	£	£
Directors remuneration	<u>82,620</u>	<u>-</u>

During the year the Company sold goods in the ordinary course of business to Kosangas (Jersey) Limited, a fellow group undertaking, for £386,567 (2018: £470,958).

The following balances were owed to fellow group undertakings at the year end:

Company	2019	2018	Nature
IEG Holdings Limited	2,158	89	Recharge of management expenses
Guernsey Gas Limited	4,402	4,231	Recharge of costs incurred
Islands Energy Group Limited	51,067	23,899	Recharge of management expenses
Kosangas (Jersey) Limited	188,780	23,718	Recharge of costs incurred
Manx Gas Limited	984,573	186,830	Recharge of costs incurred
Kosangas (Guernsey) Limited	-	1,123	Recharge of costs incurred
Manx Gas Limited	27,000,000	27,000,000	Borrowings (note 9)
Kosangas (Jersey) Limited	5,000,000	5,000,000	Borrowings (note 9)

The following balances were owed by fellow group undertakings at the year end:

Company	2019	2018	Nature
IEG Holdings Limited	6,045,059	5,688,349	Recharge of management expenses and borrowings (note 8)
Guernsey Gas Limited	-	282	Recharge of costs incurred
Kosangas (Guernsey) Limited	32,164	-	Recharge of costs incurred
Kosangas (Jersey) Limited	-	450,871	Recharge of costs incurred
Manx Gas Limited	244,887	36,277	Recharge of costs incurred

There were no provisions for uncollectible receivables at the reporting date (2018: nil) and there was no expense recognised in respect of bad or doubtful debts (2018: nil).

14 Ultimate parent

The Company's immediate parent company is IEG Jersey Holdings Limited, a company incorporated in Guernsey. The Company's ultimate parent is Seabird Acquisitions Topco Limited, which is registered in Jersey. The smallest group in which the results of the Company are consolidated is Seabird Acquisitions Holdco Limited, which is incorporated in Jersey.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Subsequent events

COVID-19 is a developing situation and as of the date of approval of these financial statements, the assessment of this situation will need continued attention and will evolve over time. From the view of the Directors, COVID-19 is considered to be a non-adjusting subsequent event and as a result, no adjustment is made in these financial statements. The Directors will be closely monitoring the latest market developments relating to COVID-19 and the possible future impact on the Company. COVID-19 will have an impact on the short term revenues of the Company however the Directors consider the Company is in a position to continue in business.